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PENSION CORPORATION

2008/2009 Annual Report

April 1, 2008–March 31, 2009

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Introduction

Welcome to the BC Pension Corporation's *2008/2009 Annual Report*.

The British Columbia Pension Corporation was created in 2000 as a non-profit agency under the provisions of the Public Sector Pension Plans Act.

We provide professional pension administration services as an agent of BC's College, Municipal, Public Service and Teachers' pension boards of trustees and WorkSafeBC.

Our team of over 400 professionals serves the needs of our clients—the boards of trustees, over 400,000 active, inactive and retired members and approximately 800 employers.

Our Mission and Values

Our Mission

The British Columbia Pension Corporation is a non-profit agency of the College, Municipal, Public Service and Teachers' pension boards of trustees and WorkSafeBC. We provide professional pension administration services on behalf of the pension boards of trustees and their plan members and employers.

Corporate Values

- Spirit
- Teamwork
- Accountability
- Integrity
- Respect

Our Operating Principles

Principles	How we achieve them
Maximize value for money	We operate in a cost-effective, risk-smart, financially prudent manner.
Listen to our clients	We solicit input, direction, advice and criticism, and act on it.
Maintain confidentiality	We protect the privacy of plan members.
Promote simplicity	We provide products and services that are simple and easy to understand.
Look to the future	We are dynamic, proactive and focused.
Leverage best practices	We work with our clients to continuously improve our service delivery.
Keep our promises	We live up to our commitments.

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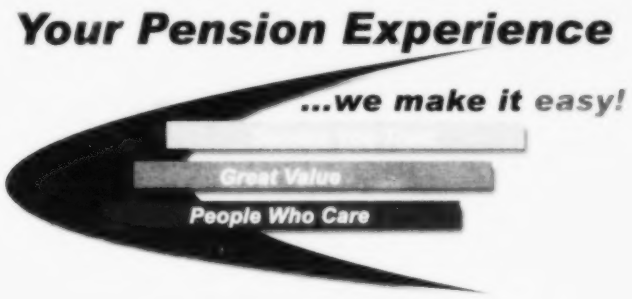

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Board and Governance

Board Chair Message

We are proud to present the British Columbia Pension Corporation's annual report for the year ended March 31, 2009, and it is a pleasure to share with you the success the corporation enjoyed this past year as it continued to strive to be the best pension administrator in Canada.

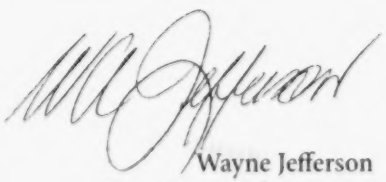
During this year of change, much of the board's energy was focused on achieving a smooth and successful transition in the corporation's chief executive officer (CEO) position. Following the departure of Gail Stephens in the early part of 2008, we were fortunate to have our chief operating officer Louise Young step into the CEO role while a nationwide search for a permanent CEO was undertaken. Louise provided much-needed stability and knowledge continuity during the eight-month interim period.

In September, after an extensive search and after consideration of many outstanding candidates, we announced the appointment of Laura Nashman as the corporation's new CEO. Laura came to the corporation as commissioner of Employee and Business Services for the Region of Peel, Ontario, providing regional municipal services to more than one million residents. Laura brings with her a deep understanding of broader public sector organizations and competent and creative leadership. She began her assignment in December 2008 and within weeks made a positive impact on her staff, her clients and stakeholders. Since Laura's arrival at the corporation, her actions have provided the board with great confidence in her leadership abilities. We are excited about what she has to offer and look forward to a long and productive run as our CEO.

We are pleased to announce that WorkSafeBC has signed a new five-year service delivery agreement to continue to contract with the Pension Corporation for the delivery of pension administration services. This new agreement comes into effect April 1, 2009.

The board would like to thank the team of employees and executives who continue to deliver high-quality, cost-effective service to plan members, employers and pension plan boards of trustees. Their hard work and commitment continue to make the corporation successful in meeting and in many cases exceeding its goals.

It was an honour to have served as board chair for the past two years, and I have enjoyed working with the members of the board, the CEOs and executive, and the employees of the Pension Corporation. I am confident the corporation will be in good hands with incoming board chair Gary Johnson and my fellow board colleagues. I am pleased to continue on as a member of the board.



Wayne Jefferson
Chair, Board of Directors
March 31, 2009

Pension Corporation Board Members

Wayne Jefferson, Chair

Wayne was appointed to the board of directors in 2002 by the Teachers' Pension Board of Trustees, and has been the chair of the corporation's board since 2007. Wayne has also served as chair of the corporation's audit committee since 2003.

Prior to becoming a trustee, Wayne served for many years with the British Columbia School District Secretary Treasurers' Association (predecessor to the British Columbia Association of School Business Officials) and was a trustee in School District No. 36 (Surrey). Wayne has been a member of the Teachers' Pension Board of Trustees since April 2001.

Gary Johnson, Vice Chair

Gary was appointed to the board of directors in 2004 by the Municipal Pension Board of Trustees, and has been vice chair of the corporation's board since 2008. Gary is a national representative of the Canadian Union of Public Employees British Columbia and is responsible for pension and benefit issues and works with members in the public education sector. He has been a member of the Municipal Pension Board of Trustees since May 2001.

Danny Bradford

Danny was appointed to the board of directors in 2005 by the College Pension Board of Trustees. He retired from his position at Selkirk College as the school chair of the School of Industry and Trades Training and is re-employed as a relief millwright instructor. Danny is a member of the provincial executive of the British Columbia Government and Service Employees' Union and has been a member of the College Pension Board of Trustees since March 2000.

Carl Fischer

Carl was appointed to the board of directors in 2007 by the College Pension Board of Trustees. He is the executive director of Financial Reporting and Advisory Services for the provincial Ministry of Finance. He has been a member of the College Pension Board of Trustees since December 2007.

Dale Lauber

Dale was appointed to the board of directors in 2004 by the Teachers' Pension Board of Trustees. After 25 years' experience as a teacher and serving local unions on bargaining committees, Dale worked as a staff officer for the British Columbia Teachers' Federation from 1990 until his retirement in 2006. He has been working in bargaining and benefit administration, including pensions, since 1996. He has been a member of the Teachers' Pension Board of Trustees since April 2001.

Paul Martin

Paul was appointed to the board of directors in 2007 by the Public Service Pension Board of Trustees. He has been actively involved in the pension business for 20 years. Since 1987 Paul has worked exclusively on pensions and pension policy for the British Columbia Government and Service Employees' Union. He has been a member of the Public Service Pension Board of Trustees since January 2001.

Ron McEachern

Ron was appointed to the board of directors in 2008 by the Public Service Pension Board of Trustees. He has worked in human resources and labour relations for over 30 years and was an associate deputy minister of Employee Relations prior to retiring in 2005. Ron has served on the boards of directors for several employer associations and served as a member of the British Columbia Labour Relations Board for eight years. Ron was appointed to the British Columbia Investment Management Corporation board of directors in 2007 and has been a member of the Public Service Pension Board of Trustees since April 2002.

Richard Taylor

Richard was appointed to the board of directors in 2000. He was the executive director of the Union of British Columbia Municipalities from 1985 until stepping down in October 2007. He has been a member of the Municipal Pension Board of Trustees since April 2001.

Roles and Responsibilities

The Pension Corporation is governed by a board of directors that operates independently from the corporation's management team. The board has adopted a written code of conduct detailing its roles and responsibilities as directors of the corporation.

Responsibilities of the Board

The board of directors:

- appoints a chair and vice chair,
- appoints and evaluates the chief executive officer,
- approves business plans and budgets,
- appoints an auditor of the Pension Corporation,
- oversees the operations of the Pension Corporation, and
- acts in the best interests of the Pension Corporation.

The board consists of eight directors. The four major public sector pension plans that retain the services of the corporation are represented on the board. Two directors, one of whom is nominated by the plan member partner and one by the plan employer partner, are appointed by each pension plan board of trustees. Directors are appointed for up to a three-year term. The chair and vice chair are appointed by the board for up to a two-year term.

The board has two committees: the audit committee and the human resources committee.

Role of the Chief Executive Officer (CEO)

The CEO is appointed by, and is accountable to, the board for the day-to-day operations of the Pension Corporation. The CEO is responsible for:

- the overall management and leadership role in the organization,
- carrying out the strategic plan and policies as approved by the board, and
- carrying out the service delivery plans as approved by each of the pension boards of trustees.

The CEO and all corporation employees adhere to a code of conduct that governs confidentiality, professional service delivery and conflict of interest.

Board Committees

Audit Committee

The audit committee acts on behalf of the board of directors to ensure effective financial oversight of the corporation. The four committee members must be financially literate and one member must be a financial expert who understands generally accepted accounting principles (GAAP), internal controls and audit committee functions. The committee meets at least twice a year. In addition to its role of financial oversight through monitoring and reporting, the committee also evaluates its own performance annually.

The committee's mandate includes ensuring effective oversight in the areas of:

- integrity and cost-effectiveness of internal controls, reporting and compliance,
- financial statements conforming with GAAP,
- an independent audit of the financial statements, and the selection, compensation and performance of the auditors,
- an annual report with audited financial statements,
- an effective risk management program relating to the objectives and operations of the corporation, including risks relating to the responsibilities carried out by the corporation as a benefit administrative agent for the pension plans,

- an effective internal audit program, and
- any other matters referred to the committee by the board.

The audit committee met twice in the 2008/2009 fiscal year.

Human Resources Committee

The mandate of the human resources committee is to assist the board in assessing strategic proposals that will enhance the human resource potential of the corporation, including:

- evaluating policies that impact the corporation as an employer,
- considering the corporation's strategies on succession planning,
- assessing compensation and rewards strategies,
- establishing a process to review the performance and remuneration of the chief executive officer (CEO), and
- developing a board education program.

The human resources committee met once in the 2008/2009 fiscal year and worked with the whole board in the hiring of the new CEO.

Board Compensation

Members of the board are remunerated through an annual retainer and a per diem fee for meetings of the board and its committees. Board members are either paid directly for their services or through the organization that employs them. In addition, members are reimbursed for reasonable travel expenses relating to their board services.

Board member compensation for the period ended March 31, 2009 is as follows:

Name and Position	Remuneration ($)
Wayne Jefferson, Chair	16,634
Gary Johnson, Vice Chair	10,500
Richard Taylor, Director	9,677
Paul Martin, Director	8,767
Dale Lauber, Director	8,767
Ron McEachern, Director	8,287
Danny Bradford, Director	7,967
Carl Fischer, Director	7,967

The Executive

A Message from Laura Nashman, Chief Executive Officer

I am delighted to have taken on the role of chief executive officer (CEO) of the British Columbia Pension Corporation in December 2008. I have joined a high-performing organization with a client-service success story written decisively by its management and staff.

Guided by the very capable leadership of previous CEO Gail Stephens, and supported by a strong leadership team, the Pension Corporation has established itself as a best-in-class pension administrator. Upon Gail's departure in April 2008, Louise Young fulfilled the critical role as interim CEO for eight months. Louise guided the organization through many difficult issues and demonstrated great strength of character and solid leadership. I thank Louise for her commitment and for her skilful work as the interim CEO.

Client service has been the focus of attention at the Pension Corporation, and clients continue to be our top priority. Through our continuous improvement efforts we are always looking for ways to enhance client experience. Whether it is our client service staff on the phone with our clients, or online through the various websites we manage or in materials we provide directly to members, we are constantly finding new and better ways to serve.

In the months and years ahead we will direct our energy toward our corporate systems and processes, our use of technology and our engagement of staff—all required to continue to provide high-quality service and enhance the service experience. We will find new and better ways to do our work and we will make the workplace even better for our staff. We will build stronger partnerships with other service providers to ensure that our plan boards are well supported and have the information they need to make their decisions.

These are challenging times for all of us in the pension industry. I can assure you that the Pension Corporation is leaning into these challenges and is well positioned to maintain high-quality service to members and clients. We have two new vice presidents, Cheryl Eason as our VP Financial and Plan Board Services and Kevin Olineck as our VP Client Services. Both Cheryl and Kevin bring years of executive leadership experience to the Pension Corporation and both have much to contribute to help us meet our goals.

I look forward to the year ahead and I thank the corporate board for their support.

Laura Nashman
Chief Executive Officer
March 31, 2009

Executive Team

Laura Nashman, Chief Executive Officer
Sher Anderson, Chief of Human Resources
Karen Harper, Chief Knowledge Officer
Sandra Lenz, Chief Financial Officer
Louise Young, Chief Operating Officer

Executive Compensation

The chief executive officer's compensation is determined by the board. All other employees of the corporation, including the executive team, fall under the provisions of the Public Service Act and the relevant compensation framework for the public service.

Benefits include group life insurance and health benefits, disability plans and employer contributions to the Canada Pension Plan, Employment Insurance and the Public Service Pension Plan, a defined benefit pension plan.

The executive management team's compensation for the period ended March 31, 2009 is as follows:

Name and Position	Base Salary ($)	Benefits ($)
Louise Young, chief operating officer*	194,183	46,274
Karen Harper, chief knowledge officer	145,978	34,787
Sher Anderson, chief of human resources	124,750	29,728
Laura Nashman, chief executive officer**	79,200	18,277
Sandra Lenz, chief financial officer**	30,066	427
Gail Stephens, chief executive officer**	19,865	5,127

* includes time as acting chief financial officer and acting chief executive officer
** compensation reflects partial-year employment

Our Business

Our Clients

Boards of Trustees

The Pension Corporation provides its services on behalf of the boards of trustees for major British Columbia public sector pension plans.

Plans and Their Members

Pension plan members live and work in all parts of British Columbia.

While total active and retired membership in the plans is almost 400,000 (an annual increase of about four per cent from the previous year), the aging population contributed to an even more rapid growth of the retired member component of total membership. Retired membership grew by five per cent in 2008/09, and almost 125,000 retired members are now served.

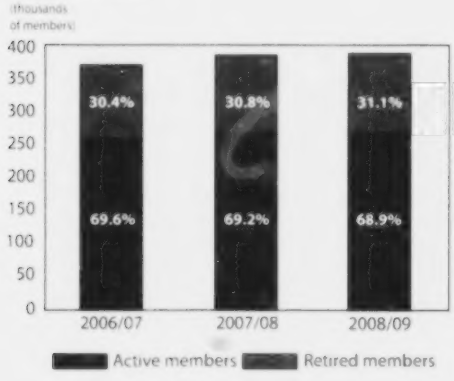
Types of plan members:

Active Members: Individuals who are currently contributing, or who are receiving benefits from an approved salary continuance plan, or are on a leave of absence.

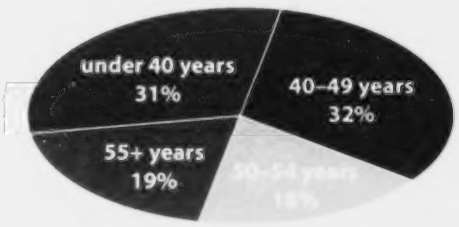
Inactive Members: Individuals who have terminated employment but whose contributions remain on deposit in the plan.

Retired Members: Individuals who are receiving a pension, including those who are receiving a disability pension.

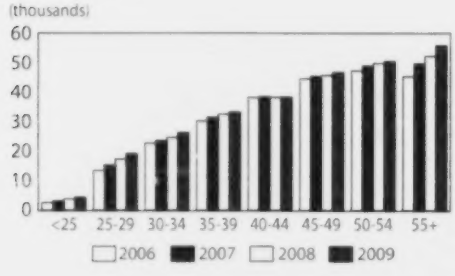
Number of active and retired members
as at March 31, 2009



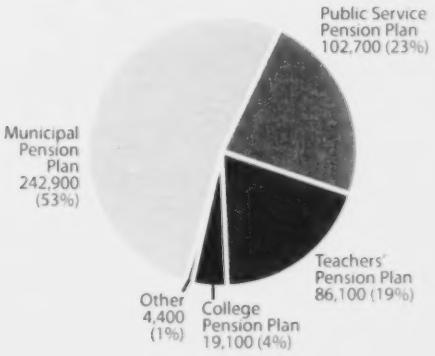
Age profile of active members
as at March 31, 2009



Increasing age profile of active members
as at March 31, 2009



Pension plan membership*


Public Service Pension Plan 102,700 (23%)
Municipal Pension Plan 242,900 (53%)
Teachers' Pension Plan 86,100 (19%)
College Pension Plan 19,100 (4%)
Other 4,400 (1%)

* Rounded to nearest hundred. Membership numbers are based on statistics as at each plan's most recent plan annual report when the *2008/2009 Annual Report* was prepared. Includes active, inactive and retired members.

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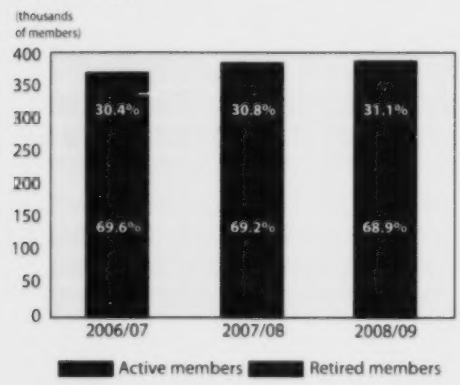
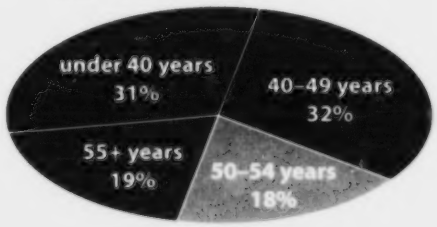
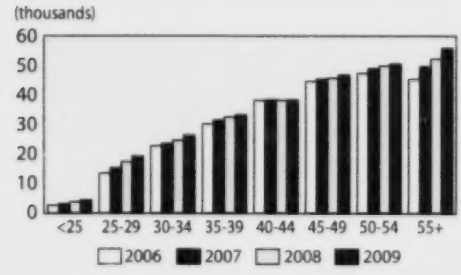
Number of active and retired members
as at March 31, 2009



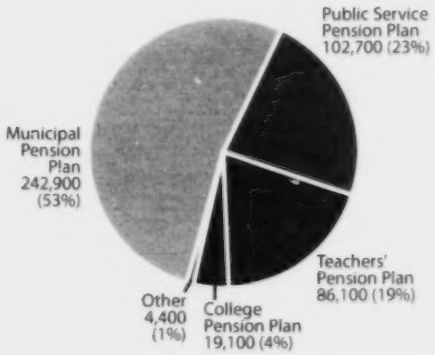
Age profile of active members
as at March 31, 2009



Increasing age profile of active members
as at March 31, 2009



Pension plan membership*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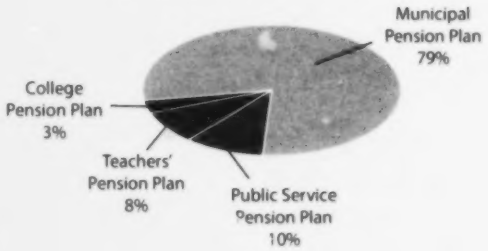
* Rounded to nearest hundred. Membership numbers are based on statistics as at each plan's most recent plan annual report when the *2008/2009 Annual Report* was prepared. Includes active, inactive and retired members.

Employers

The Pension Corporation serves the needs of more than 800 employers across the four major plans, as well as WorkSafeBC.

Pension plan employers*
as at March 31, 2009



* There are more than 800 employers in the multi-employer plans that we serve. Percentages are based on statistics as at each plan's most recent plan annual report when the *2008/2009 Annual Report* was prepared.

Our Services

We provide comprehensive pension administration services on behalf of the pension boards of trustees and other governing organizations for major British Columbia public sector pension plans. Our core services revolve around direct and efficient pension administration support to plan members and employers. We ensure our clients have an exceptional experience when contacting us—every call or e-mail to the Pension Corporation is answered by a real person—and we provide this service at a reasonable cost. We also administer the ongoing collection of data and contributions to enable benefit administration. Other services are primarily related to the governance of the pension plans and we customize our services to fit the needs of each client.

We continue to focus on service excellence, providing value to the pension boards for every trust fund dollar spent. We seek feedback from clients and actively monitor pension plan and industry trends to best serve the evolving needs of our clients.

Key Service Highlights

As the corporation continues its focus on educating members on using online and other self-help communication products and tools, particularly for those members nearing retirement, we expect to see the number of pension estimates and key service transactions continue to fall. Already, thanks to the development of innovative service-delivery options, the corporation has witnessed an increased use of My Account services by members (up 25 per cent between 2007/08 and 2008/09). This in turn has led to:

- a nine per cent decrease in pension estimates between 2007/08 and 2008/09, and
- a 28 per cent decrease in key service transactions requiring completion between 2007/08 and 2008/09.

The corporation also witnessed a nine percent decrease in new pensions granted between 2007/08 and 2008/09.

The increased use of My Account services enhances self service for clients and allows the corporation to focus on value added activities.

Finances

Cost Effectiveness

Overall cost per member for benefit administration services across all plans was $106, lower than the $112 cost per member target.

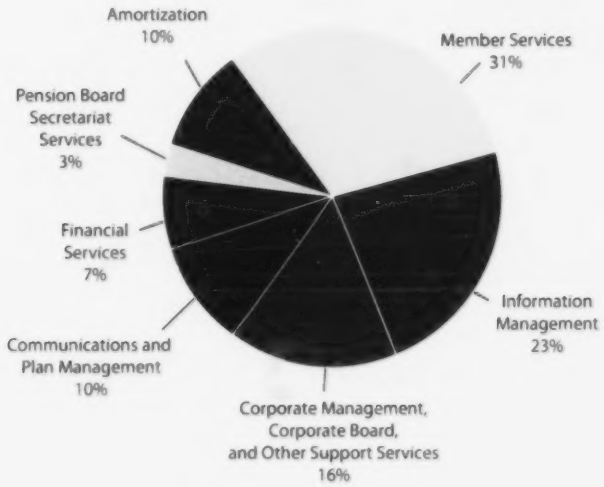
Funding

The corporation operates on a cost-recovery basis. As part of the corporation's service delivery planning and budget development process, each pension plan board of trustees approves its share of relevant costs. Any savings achieved are passed on directly to the pension plans served in the form of lower charges.

Operating Expenses

The corporation had $41.3 million in operating expenses in 2008/2009. They recovered $40.1 million in expenditures from the plans in 2008/2009.

Operating expenses by category



Certain operating expenses have been reclassified from the prior year presentation.

The corporation had $41.3 million in operating expenses in 2008/09.

Our Accomplishments

We are proud of our accomplishments this year, fulfilling commitments to the pension boards of trustees we serve, improving service to employers and making the pension process easier for members across British Columbia. In all of our work we maintained clear alignment with our corporate vision:

Your Pension Experience... We make it easy!

Service You Trust. Great Value. People Who Care.

We Make It Easy

We continue to use member, employer and trustee feedback to ensure services and products meet client needs and support informed decision making.

Highlights:

- Conducted approximately 450 member seminars in 46 communities across British Columbia, including 28 outside the Lower Mainland and Greater Victoria, attended by over 15,000 members and achieving a satisfaction level of 95 per cent.
  - Implemented new pension seminars for members at various stages of their careers and enhanced group seminars for members planning retirement.
  - Introduced online registration for the seminars.
  - Continued to work at attracting younger members to the seminars so they can better understand the value of plan membership.
- Held 29 employer workshops and seminars, achieving a satisfaction level of 93 per cent.
  - In consultation with employers, introduced enhanced employer training and reporting.
  - Initiated the developments of a new web-based system to make employer reporting easier, more secure and accurate.
  - Introduced the Small Employer Forum to discuss ideas and issues particular to plan employers with fewer than 1000 employees.
- Continued to promote and achieve increased active member usage of My Account services, with almost 20 per cent of active members registered at the end of March 2009. Usage has increased more than 25 per cent since March 2008 with more than 50,000 members now making use of this service.
- In response to pensioner feedback, expanded phone hours of our Pension Services department.
- Improvements to communication with members.
  - Piloted project where videos are hosted online.
  - Annual reports moving to HTML format, saving printing and paper costs and materials.
  - Increased and improved communication to members during time of economic uncertainty.
  - Increased and improved communication to members in special circumstances, such as those undergoing marital breakdown.

Service You Trust

We continue to monitor and implement industry best practices and continue to live up to our service commitments.

Highlights:

- Achieved high trustee satisfaction across the four major pension plans.
- Substantially met or exceeded all service response times to clients. Met service and financial performance commitments within the service agreements with the plan boards of trustees and WorkSafeBC, including substantially meeting or exceeding services response targets for plan members.
- Continued to implement best practices including enhanced quality review processes and an ongoing internal audit program.
- Moved forward on the development of an enhanced internal computer system for retired members—one of our largest initiatives in several years.

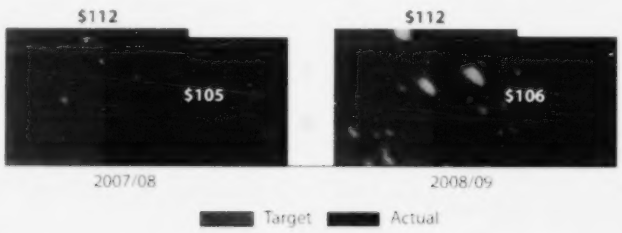
Great Value

Our continued commitment is to provide value for every trust fund dollar spent.

Highlights:

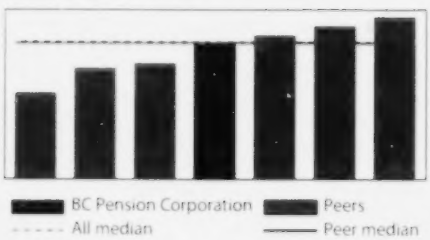
- Delivered our core services at a very reasonable cost per member of $106, with savings passed directly to the pension plans served.
- Provided service at a cost per member approximately 30 per cent lower than national and international peers[1] while maintaining member satisfaction averaging in excess of 80 per cent across all plans and clients[2].

Benefit administration services average cost per member

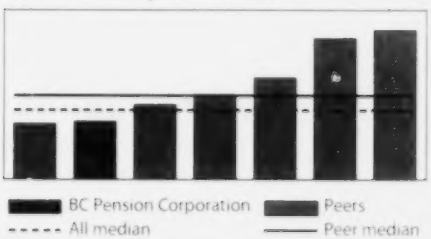


The overall cost per member across all plans for benefit administration services was $106, lower than the $112 per member target.

Total service score



Relative cost per member



[1] Customer Effective Measurement and Quantitative Service Management benchmarking surveys based on 2007/2008 fiscal year.
[2] 2008/2009 member survey, conducted by independent research firm.

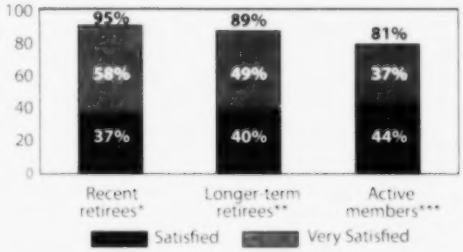
People Who Care

A great team of people who care about serving our clients is at the heart of everything the Pension Corporation does.

Highlights:

- Continued to achieve high plan member satisfaction ratings as well as unsolicited expressions of gratitude and positive feedback from employers and plan members.
- Enhanced staff training and development activities to build the capacity of the organization and enhance client service.
- Staff continued to personally support our local community through volunteering, participating in a variety of fundraising events and contributing time and money through the Provincial Employees Community Services Fund.
- Consistently solicited input from all clients through focus groups, interpersonal communication and forums.

Member satisfaction 2008/2009



*Recent retirees are individuals who are receiving a pension, including those who are receiving a disability pension and who have been retired for up to one year.

**Longer-term retirees are individuals who are receiving a pension, including those who are receiving a disability pension and who have been retired for three years or longer and are under the age of 75.

***Active members are individuals who are currently contributing or who are receiving benefits from an approved salary continuance plan or are on a leave of absence.

Service You Trust

We continue to monitor and implement industry best practices and continue to live up to our service commitments.

Highlights:

- Achieved high trustee satisfaction across the four major pension plans.
- Substantially met or exceeded all service response times to clients. Met service and financial performance commitments within the service agreements with the plan boards of trustees and WorkSafeBC, including substantially meeting or exceeding services response targets for plan members.
- Continued to implement best practices including enhanced quality review processes and an ongoing internal audit program.
- Moved forward on the development of an enhanced internal computer system for retired members—one of our largest initiatives in several years.

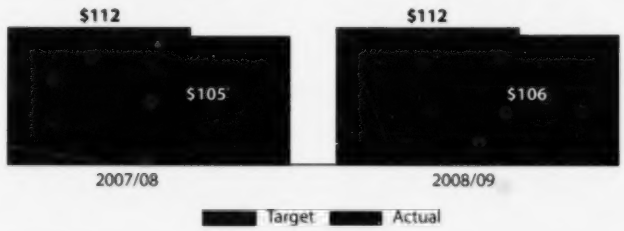
Great Value

Our continued commitment is to provide value for every trust fund dollar spent.

Highlights:

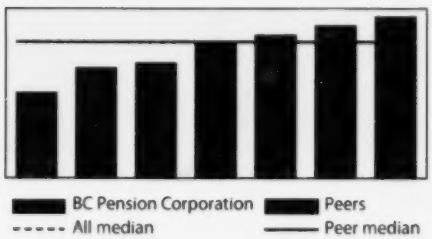
- Delivered our core services at a very reasonable cost per member of $106, with savings passed directly to the pension plans served.
- Provided service at a cost per member approximately 30 per cent lower than national and international peers[1] while maintaining member satisfaction averaging in excess of 80 per cent across all plans and clients[2].

Benefit administration services average cost per member

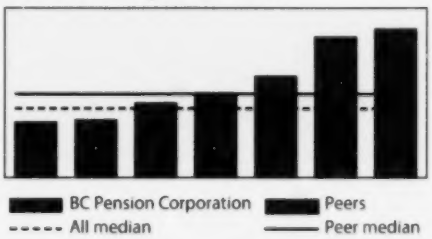


The overall cost per member across all plans for benefit administration services was $106, lower than the $112 per member target.

Total service score



Relative cost per member



[1] Customer Effective Measurement and Quantitative Service Management benchmarking surveys based on 2007/2008 fiscal year.
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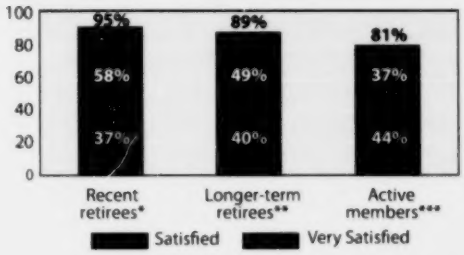

*Recent retirees are individuals who are receiving a pension, including those who are receiving a disability pension and who have been retired for up to one year.

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***Active members are individuals who are currently contributing, or who are receiving benefits from an approved salary continuance plan, or are on a leave of absence.

Financial Statements

PENSION CORPORATION

Executive Offices

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Location:
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Phone:
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1 800 663-8823
Fax:
250 953-0429

BRITISH COLUMBIA PENSION CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and information in the Annual Report are the responsibility of management of the British Columbia Pension Corporation (corporation) and have been approved by management and the Board of Directors (board).

Management is responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information contained in the Annual Report conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The board, primarily through its Audit Committee (committee), is responsible for ensuring that management fulfills this responsibility. The committee reviews the financial statements and recommends them to the board for approval. The committee meets with management and external auditors to discuss internal controls, auditing matters and financial reporting issues.

The firm of PricewaterhouseCoopers LLP has been appointed the independent auditor of the corporation by the board. The role of the auditor is to perform an independent audit of the financial statements of the corporation in accordance with generally accepted auditing standards in Canada. The resulting audit opinion is set out in the Auditors' Report attached to these financial statements.

CHERYL EASON, C.G.A.
Vice President, Financial and Plan Board Services
British Columbia Pension Corporation

BRUCE NICOL, C.A.
Director, Pension Plan and Corporate Financial Services
British Columbia Pension Corporation

June 5, 2009

PRICEWATERHOUSECOOPERS

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Canada V6C 3S7
Telephone +1 604 806 7000
Facsimile +1 604 806 7806

June 5, 2009

Auditors' Report

To the Members of the Board of Directors of
British Columbia Pension Corporation

We have audited the balance sheet of the **British Columbia Pension Corporation** as at March 31, 2009 and the statements of revenue and expenses and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

"PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity.

PENSION CORPORATION

BRITISH COLUMBIA PENSION CORPORATION
BALANCE SHEET
($ Thousands)

March 31	2009	2008
Assets		
Current:		
Cash and Short-term Investments (Note 4)	$ 1,126	$ 842
Due from Pension Plans (Note 5)	6,122	6,162
Due from Province of British Columbia (Note 12)	6	8
Accounts Receivable	242	338
Prepaid Expenses	798	458
	8,294	7,808
Computer Systems and Other Assets (Note 6)	9,198	10,248
Total Assets	$ 17,492	$ 18,056
Liabilities and Shareholder's Equity		
Liabilities		
Current:		
Accounts Payable	$ 2,931	$ 1,617
Accrued Salaries and Benefits (Note 7)	5,363	6,191
	8,294	7,808
Long term:		
Deferred Capital Funding (Note 8)	9,198	10,248
	17,492	18,056
Shareholder's Equity		
Share Capital (Note 2)	-	-
Total Liabilities and Shareholder's Equity	$ 17,492	$ 18,056

All accompanying notes are an integral part of these financial statements including:

- Commitments (Note 13)

Wayne Jefferson, Chair
British Columbia Pension Corporation
Board of Directors

Gary Johnson, Vice Chair
British Columbia Pension Corporation
Board of Directors

PENSION CORPORATION

BRITISH COLUMBIA PENSION CORPORATION
STATEMENT OF REVENUES AND EXPENSES
($ Thousands)

For the year ended March 31	2009	2008
Revenues		
Benefit Administration Service Revenue (Note 9)	$ 40,130	$ 37,572
Pension Plan Boards' Secretariat Service Revenue (Note 10)	1,053	1,001
Investment and Miscellaneous Income	122	181
Loss on Disposal of Computer Systems and Other Assets	(4)	(93)
Total Revenues	41,301	38,661
Expenses		
Salaries and Benefits	26,006	25,312
Amortization	4,159	4,268
Systems Support and Telephones	4,345	3,403
Building Rent and Maintenance	2,218	2,222
Legal, Actuarial and Other Professional Services	1,282	792
Publications and Office Expenses	1,681	1,562
Bank Charges, Insurance and Regulatory Fees	810	481
Training and Travel	684	527
Corporate Board Remuneration and Expenses	116	94
Total Expenses	41,301	38,661
	$ -	$ -

PENSION CORPORATION

BRITISH COLUMBIA PENSION CORPORATION
STATEMENT OF CASH FLOWS
($ Thousands)

For the year ended March 31	2009	2008
Cash Flows from Operating Activities		
Operating Funding Received from the Pension Plans	$ 37,060	$ 34,959
Cash Paid to Suppliers and Employees	(36,898)	(34,526)
Investment and Miscellaneous Income Received	122	181
Total Operating Activities	284	614
Cash Flows from Investing Activities		
Purchase of Computer Systems and Other Assets	(3,113)	(2,730)
Total Investing Activities	(3,113)	(2,730)
Cash Flows from Financing Activities		
Capital Funding Received from the Pension Plans	3,113	2,730
Total Financing Activities	3,113	2,730
Increase for the Year	284	614
Cash and Short-term Investments at Beginning of Year	842	228
Cash and Short-term Investments at End of Year	$ 1,126	$ 842

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009

1. AUTHORITY

The British Columbia Pension Corporation (corporation) was established as a corporation on April 1, 2000, under section 5 of the *Public Sector Pension Plans Act, S.B.C. 1999 C 44* (the act). The act describes the composition, appointment, powers, functions and duties of the Board of Directors (board) for the corporation.

2. NATURE OF OPERATIONS

The corporation operates on a not-for-profit basis providing benefit administration services as agent for the boards of trustees responsible for the College, Municipal, Public Service and Teachers' pension plans. It may also provide services to other British Columbia public sector pension clients. The corporation's board consists of eight (8) directors, two (2) directors from each of the four boards of trustees above. The chair and vice chair of the board are elected by the directors.

Benefit administration services provided by the corporation include collecting and recording contributions, calculating and paying benefits, communicating to employers and plan members, pension plan board support services and other services specifically approved by the individual boards of trustees. These administrative services are provided pursuant to service agreements with each plan.

The corporation charges each pension plan with its respective share of the corporation's operating expenses, and computer systems and other asset purchases, less investment and miscellaneous income and amortization.

The issued share ($10 par value) of the corporation is held by the Province of British Columbia, and accordingly the corporation is exempt from income taxes. The corporation pays goods and services tax (GST) on applicable purchases and recovers those costs fully, through input tax credits.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements are prepared on an accrual basis, in accordance with Canadian generally accepted accounting _ inciples.

b) Cash and Short-term Investments

For the purpose of the statement of cash flows, cash and cash equivalents consists of all cash and short-term highly liquid investments, such as pooled money market funds, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes of value.

c) Computer Systems and Other Assets

Direct expenditures on specifically developed computer software are capitalized only after development approval. Computer systems and other assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives as follows:

Major Business Application Software	3 to 10 years
Other Computer Equipment and Software	3 to 5 years
Furniture	10 years
Tenant Improvements	10 years

Major business application software under development is not amortized until completion and implementation.

The corporation monitors computer systems and other assets for changes in circumstances that indicate assets may be impaired if their service value to the corporation has declined. If such circumstances occur, the excess of the net book value over any residual value will be recognized as an expense in the statement of revenues and expenses.

d) Revenue Recognition

Cash funding is received in advance from the pension plans that receive services from the corporation. Service revenue is recognized as operating expenses are incurred and as assets are amortized. The corporation defers capital funding received in advance for computer systems and other asset purchases. This deferred capital funding is recognized as service revenue on the same basis as the related assets are amortized. Investment income is recorded on an accrual basis.

e) Foreign Currency Translation

Transactions denominated in foreign currencies are recorded in Canadian dollars at exchange rates in effect at the related transaction date. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect year-end exchange rates at the balance sheet date. Any resulting exchange gains and losses are included in the determination of income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Use of Estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts on the balance sheet and statement of revenues and expenses at the date on the financial statements. Actual results could differ from these estimates. The significant area requiring the use of management estimates relates to the estimated useful lives of computer systems and other assets.

g) Change in Accounting Policy

Effective April 1, 2008, the corporation adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Sections 1535 (Capital Disclosures), Section 3855 (Financial Instruments - Recognition and Measurement), Section 3862 (Financial Instruments - Disclosures) and Section 3863 (Financial Instruments - Presentation).

Section 1535 requires an entity to disclose what the corporation regards as capital and its objectives, policies and processes for managing capital.

Under Section 3855, the corporation has designated its short term investments as held for trading, requiring it to measure these instruments at fair value and recognized associated gains or losses. The change does not have a material effect on the financial statements as the short-term investments are not subject to significant changes in value. This change did not result in the restatement of comparative figures.

Sections 3862 and 3863 require enhanced disclosure, where applicable, relating to the nature and extent of risks arising from financial instruments and how the corporation manages those risks. The presentation requirements remain unchanged.

h) Recent Accounting Pronouncements

In 2006, the Canadian Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies, and which are expected to apply to the corporation as of April 1, 2011. While the corporation is continuing to monitor these developments, the financial reporting impact cannot be reasonably estimated at this time.

4. CASH AND SHORT-TERM INVESTMENTS

Short-term investments consist of direct ownership in units of pooled investment portfolios, managed by the British Columbia Investment Management Corporation (bcIMC). Each unit gives its holder a proportionate share in the net assets of the pooled investment portfolio. The pooled investment portfolios consist of Canadian money market securities such as financial and corporate commercial paper, with terms of 15 months or less. These investments are held for trading, and are recorded at fair value.

	($ Thousands)	
	2009	**2008**
Cash	$ 312	$ 396
Short-term Investments	814	446
	$ 1,126	$ 842

5. DUE FROM PENSION PLANS

Due from pension plans represents total charges to pension plans less operating and capital funding received as follows:

	($ Thousands)	
	2009	**2008**
Beginning Balance, Due from Pension Plans	$ 6,162	$ 6,909
Total Charges to Pension Plans for:		
Benefit Administration Services	39,069	35,912
Pension Plan Boards' Secretariat Services	1,064	1,030
Operating Funding Received	(37,060)	(34,959)
Capital Funding Received	(3,113)	(2,730)
Ending Balance, Due from Pension Plans	$ 6,122	$ 6,162
Total Due from Pension Plans:		
Municipal Pension Plan	$ 3,561	$ 3,285
Public Service Pension Plan	1,423	1,560
Teachers' Pension Plan	829	939
College Pension Plan	253	218
Other Plans	56	160
Total Charges to Pension Plans	$ 6,122	$ 6,162

Please see Note 3d) regarding funding arrangements.

6. COMPUTER SYSTEMS AND OTHER ASSETS

($ Thousands)

	2009			2008
	Cost	Accumulated Amortization	Net Book Value	
Major Business Application Software	$ 25,959	$ 22,728	$ 3,231	$ 5,331
Other Computer Equipment and Software	16,724	14,313	2,411	2,170
Furniture	3,453	2,735	718	845
Tenant Improvements	1,643	907	736	740
	47,779	40,683	7,096	9,086
Major Business Application Software under development	2,102	-	2,102	1,162
	$ 49,881	$ 40,683	$ 9,198	$ 10,248

7. ACCRUED SALARIES AND BENEFITS

($ Thousands)

	2009	2008
Accrued Salaries and Benefits	$ 4,345	$ 5,238
Leave Liability	1,018	953
	$ 5,363	$ 6,191

Leave liability primarily consists of vacation earned but not yet taken.

8. DEFERRED CAPITAL FUNDING

($ Thousands)

	2009	2008
Opening Balance, Deferred Capital Funding	$ 10,248	$ 11,879
Capital Funding Received	3,113	2,730
Capital Funding Recognized as Service Revenue:		
Amortization	(4,159)	(4,268)
Loss on Disposal of Computer Systems and Other Assets	(4)	(93)
Ending Balance, Deferred Capital Funding	$ 9,198	$ 10,248

Please see Note 3d) regarding funding arrangements.

9. BENEFIT ADMINISTRATION SERVICE REVENUE

The corporation's benefit administration service revenue consists of charges to the pension plans for the corporation's operating expenses, and computer systems and other asset purchases, less capital funding received, plus capital funding recognized as benefit administration service revenue:

	($ Thousands)	
	2009	**2008**
Total Charges to Pension Plans for Benefit Administration Services	$ 39,069	$ 35,912
Capital Funding Received	(3,102)	(2,701)
Capital Funding Recognized as Service Revenue:		
Amortization	4,159	4,268
Loss on Disposal of Computer Systems and Other Assets	4	93
Benefit Administration Service Revenue	$ 40,130	$ 37,572
Total Charges to Pension Plans for Benefit Administration Services were:		
Municipal Pension Plan	$ 20,266	$ 18,264
Public Service Pension Plan	9,040	8,491
Teachers' Pension Plan	7,565	7,100
College Pension Plan	1,774	1,625
Other Plans	424	432
	$ 39,069	$ 35,912

10. PENSION PLAN BOARDS' SECRETARIAT SERVICE REVENUE

The corporation's pension plan boards' secretariat service revenue consists of charges to the pension plans for the pension plan boards' secretariat operating, computer systems and other asset purchases, less capital funding received. Pension plan boards directly approve the pension plan boards' secretariat operating and capital expenditure budgets, and the corporation recovers these expenses from the pension plans.

	($ Thousands)	
	2009	**2008**
Total Charges to Pension Plans for Plan Boards' Secretariat Support Services	$ 1,064	$ 1,030
Capital Funding Received	(11)	(29)
Total Pension Plan Boards' Secretariat Service Revenue	$ 1,053	$ 1,001
Total Charges to Pension Plans for Plan Boards' Secretariat Services were:		
Municipal Pension Plan	$ 403	$ 403
Public Service Pension Plan	220	209
Teachers' Pension Plan	221	209
College Pension Plan	220	209
	$ 1,064	$ 1,030

11. EMPLOYEES' PENSION PLAN AND RETIREMENT BENEFITS

In accordance with the *Public Sector Pension Plans Act, S.B.C. 1999 c44*, the corporation and its employees contribute to the Public Service Pension Plan (plan), a jointly trusteed pension plan. The plan is a multi-employer contributory defined benefit pension plan. The corporation administers the plan, including the payment of pension benefits, on behalf of the employers and the employees to whom the act applies. As at March 31, 2009, the corporation has approximately 400 employees contributing to the plan which has approximately 55,000 active plan members and 33,000 retired plan members.

Employer contributions to the plan are included in salaries and benefits and represent the amount of pension expense for the year. For the year ended March 31, 2009, employees contributed 7.63% of salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE) and 9.13% for salaries above that. The corporation contributed 8.63% of salary up to the YMPE and 10.13% for salaries above that. Employee and corporation contributions include 1.50% and 2.50% of salaries respectively, to fund contingent benefits such as future pension indexing and retired member group benefits that are subject to the availability of specified funding arrangements. Effective April 1, 2005, the employee contribution rate increased by 0.25%, to 1.50% of salaries, to fund these contingent benefits. The corporation, as employer, is paying the 0.25% employee contribution rate increase.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The latest valuation as at March 31, 2008 indicated a $487 million surplus for basic pension benefits. Since that valuation, financial markets have experienced significant downturn. As a result, effective April 1, 2009 employee contributions will increase by 0.15% of salaries, to 7.78% of salaries up to the YMPE and 9.28% of salaries above that. Also effective April 1, 2009, employer contributions made by the corporation will increase by 0.15% of salaries, to 8.78% of salaries up to the YMPE and 10.28% of salaries above that. The next valuation will be as at March 31, 2011 with results available in 2012. The actuary does not attribute portions of the unfunded liability to individual employers. In 2009, the corporation paid $1.9 million (2008: $1.8 million) for employer contributions to the plan. Employees are also entitled to specific retirement benefits as provided for under collective agreements and terms of employment. The cost of these future benefits is included in salaries and benefits expense.

12. RELATED PARTY TRANSACTIONS

The College, Municipal, Public Service and Teachers' pension plans are related parties to the corporation. The pension plan boards appoint members to the corporate board, and the corporation provides services to the pension plans. Please see Notes 2, 9, and 10. These transactions are in the normal course of operations and consist of the recovery of the corporation's operating expenses, and computer systems and other asset purchases.

The corporation engages in transactions with the Province of British Columbia. These transactions are considered to be in the normal course of operations and include some limited supporting services; payroll, building occupancy and some information technology support services. Included in accounts payable and accrued salaries and benefits is $5.1 million (2008: $5.7 million) due to the Province of British Columbia.

The corporation does not receive funding from the Province of British Columbia. However, in 2006 the Province agreed to provide funding for one time payments to employees related to collective agreement and management wage settlements. In 2008, the Province agreed to provide funding for minor adjustments to these one time payments. The related amount due from the Province is $6,000 (2008: $8,000).

13. COMMITMENTS

The corporation has a service agreement with the Province of British Columbia, with a current term ending March 31, 2010, to provide existing and future accommodation needs. Through the Province, the corporation has committed to various building rental and accommodation agreements for which the estimated costs for the years ending March 31, 2010 and 2011 is $2.3 million per year. The estimated costs for the year 2012 is $1.9 million, and $1.6 million for the years 2013 and 2014.

14. FINANCIAL INSTRUMENTS

The corporation's financial instruments consist of cash, short-term investments, accounts receivable, including due from pension plans and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to the relatively short period to maturity for these items.

Short-term investments are held in a pooled investment fund managed by the British Columbia Investment Management Corporation (bcIMC) and are regularly monitored by bcIMC and management. Risks associated with financial instruments include market risk, credit risk and liquidity risk.

Market risk is the risk that the fair values of an investment will fluctuate as a result of changes in market conditions. Market risk comprises foreign currency risk, interest rate risk, and price risk. Market risk is minimal as all investments are short-term.

Credit risk is the risk that a loss may occur from the failure of another party to perform according to the terms of a contract. Credit risk is managed for investments by establishing specific investment criteria such as minimum credit ratings for investees. The credit risk associated with the receivable from pension plans is minimal.

14. FINANCIAL INSTRUMENTS (continued)

Liquidity risk is the risk of not being able to meet the corporation's cash requirements in a timely and cost effective manner. The corporation forecasts its cash requirements over the near term to determine whether sufficient funds are available to meet forecast expenditures. The corporation's primary source of liquidity is amounts charged to pension plans (Note 15).

It is management's opinion that the corporation is not exposed to significant risks arising from these financial instruments.

15. CAPITAL MANAGEMENT

The authorized capital of the corporation is one share with a par value of $10 held by the Province of British Columbia and is registered in the name of the Minister of Finance on behalf of the Province.

The corporation is required by the *Public Sector Pension Plans Act* to recover its operating costs and capital expenditures from one of the following sources:

- amounts charged to the pension plans for operating costs and capital expenditures necessarily incurred by the corporation on behalf of the pension plans it administers;
- amounts authorized under other enactments for services provided;
- amounts charged to persons, organizations and other clients for services provided;
- income accruing from investments made by the corporation.

The corporation may attribute costs to the pension plans that it administers, and requisition those amounts from the pension plans it anticipates are necessary for operating and capital costs associated with the administration of the pension plans.

It is the corporation's policy to requisition quarterly, in advance, the amount required to meet its funding requirements for the quarter, with the objective of holding a minimum of excess funds. The funds are placed in short-term investment funds to be drawn on as required. Income earned on these investments is offset against the operating and capital costs of administering the pension plans.

The corporation also has the power to fund capital expenditures through amounts borrowed by the corporation.

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

PENSION
CORPORATION

British Columbia Pension Corporation

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Corp AR 2001-035 2009.09.08 (WEB PF VERS)